



THE COMMONWEALTH OF MASSACHUSETTS
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SENT ELECTRONICALLY, BY FAX AND MAIL

December 14, 2001

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

RE: Massachusetts Electric Company, D.T.E. 01-102

Dear Secretary Cottrell:

On November 30, 2001, Massachusetts Electric Company ("MECo" or "Company") filed a petition with the Massachusetts Department of Telecommunications and Energy ("Department") seeking approval of changes to a number of its rates. In particular, the Company proposed to:

- decrease its standard offer rate¹ (from \$0.06631 to \$0.05626/kWh);
- decrease its default service adjustment factor (from \$0.00192 to \$0.00083/kWh);
- increase its transition charge rate² (from \$0.00740 to \$0.00839/ kWh);

¹ This change is the result of an increase in the base Standard Offer charge of \$0.004 (from \$0.038 to \$0.042), a decrease in the Standard Offer Fuel adjustment of \$0.01125 (from \$0.02551 to \$0.01426), and the elimination of the Company's Standard Offer Service adjustment charge of \$0.0028.

² This charge is a pass through of NEP and Montaup contract termination charges as approved
(continued...)

- implement the statutory decrease in its demand side management and renewable technology charges (from \$0.0027/kWh and \$0.00075/kWh to \$0.0025/kWh and \$0.00050/kWh, respectively); and to
- decrease its average transmission rates (from \$0.00878 to \$0.00535/kWh)

Pursuant to the Department's December 6 Notice of Filing and Request for Comments, the Attorney General hereby files this letter as his Initial Comments on the Company's filing. In these comments, the Attorney General requests that the Department initiate a formal investigation into the reconciliation filing and the continued implementation of the SOSFA .

The Company proposes to increase its transition charge. While the Standard Offer fuel cost reductions reflected in the filings will reduce the bills of customers on Standard Offer service, the Company's proposed increase in transition costs will result in rate increases for competitive supply customers. The Company's filing does not address the bill impact of its proposal on competitive supply customers.³ The Attorney General requests that the Department review the impact on all customers, not just Standard Offer customers, prior to approving any increase in transition charges.

The Company filed with the Department its proposed SOSFA and supporting documentation on November 15, 2001 as part of DTE 00-67. The Company proposes to reduce the SOSFA based on the most recently available twelve months data⁴ regarding fuel prices and the 2002 trigger.⁵ The combination of lower gas and oil prices along with the scheduled increase in the fuel trigger from \$5.35 to \$6.09 have resulted in a significant reduction to the SOSFA. The Company does not expect to incur any further fuel adjustment costs after the first quarter of 2002. Ms. Burns Testimony, p. 12. To the extent that it continues to charge its customers for the SOSFA it will use the revenues to off set the Standard Offer deferrals that it has accumulated. The Company anticipates that it will have substantially recovered its Standard

²(...continued)

by FERC adjusted for prior period under and over recoveries on a class specific basis. Exh. TMB-10

³ This increase will fall disproportionately on the commercial and industrial customers who have committed to a competitive supplier. Consideration of the interests of these customers is a especially necessary given current economic conditions.

⁴ For the period ending October 1, 2001.

⁵ The formula that the Company relies on is specified in the restructuring settlement and reflects the price that NEP and Montaup's Standard Offer service providers may charge. The only other Company with a similar standard offer service provider pricing provision is Fitchburg Gas & Electric Light Company. The other electric companies, although they have SOSFA tariff provisions, have not procured their Standard Offer supplies under these same provisions. The Department has authorized these other companies to implement SOSFAs in order to recover the higher costs of electricity that they may be experiencing during times of high gas and oil prices as was the case during the past year.

Offer deferrals by the end of July 2002.⁶ Exh. TMB-5. However, the Company proposes to stabilize its rates by maintaining the proposed SOSFA through the next reconciliation period ending September 2002. Ms. Burns Testimony, pp.12-13.

The Company has not provided any estimate of the impact of continuing the SOSFA beyond July 2002. Absent any evidence to the contrary, the Company may well have a significant over collection by the time the next reconciliation is filed. It is not in the public interest for a Company to be allowed to over collect costs if the deferrals are recovered by July 2002. The Department should open an investigation into the Company's reconciliation filing to allow review of the costs, revenues and assumptions underlying its proposals.

Respectfully,

Joseph W. Rogers
Division Chief, Utilities Division

cc: Thomas Robinson, Esq.
Amy Rabinowicz, Esq.

⁶ According to the Company's calculations the Standard Offer deferral balance will be approximately \$4.6 million at the end of July 2002. This is a reduction from a high of \$180 million in August 2001.